

BEFORE THE
OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO
April 23, 1957

IN THE MATTER OF
CASE NO. 1243

TRANSCRIPT OF PROCEEDINGS

DEARNLEY - MEIER & ASSOCIATES
INCORPORATED
GENERAL LAW REPORTERS
ALBUQUERQUE - SANTA FE
3-6691 2-2211

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 23, 1957

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IN THE MATTER OF:

Application of Rowan Oil Company for
approval of a 160-acre non-standard gas
proration unit in the Eumont Gas Pool,
Lea County, New Mexico, in exception to
Rule 5 (A) of the Special Rules and Reg-
ulations for said Pool. Applicant, in
the above-styled cause, seeks an order
authorizing a 160-acre non-standard gas
proration unit in the Eumont Gas Pool
consisting of the N/2 S/2 Section 7,
Township 22 South, Range 37 East, Lea
County, New Mexico, said unit to be
dedicated to the Rowan Oil Company and
Neville G. Penrose, Inc. H. T. Mattern
No. 1 Well located 1650 feet from the
South line and 330 feet from the West
line of said Section 7.

CASE NO.
1243

BEFORE:

Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: The next case that we will take up will be
Case 1243. You want to request a continuance?

MR. NEWMAN: I request a continuance.

MR. COOLEY: Mr. Newman, you are appearing on behalf of Rowan
Oil Company and request that the case continued until Friday.

MR. NEWMAN: Yes, the reason for the request being that
Tornado conditions in Texas grounded the commercial air lines and

our engineer who planned to testify at this hearing was unable to get here.

MR. NUTTER: Is there objection to the continuation of Case 1243 to Friday, April 24 at 10:00 o'clock a.m., at Marbry Hall? If there are no objections, the case will be continued until Friday.

C E R T I F I C A T E

STATE OF NEW MEXICO)
 : ss
COUNTY OF BERNALILLO)

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing was reported by me in Stenotype at the time and place hereinbefore set forth; that same was thereafter transcribed into typewritten transcript by me; and that same is a true and correct record to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal this, the 8th day of May, 1957, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

J. A. Trujillo
NOTARY PUBLIC

My Commission Expires:

October 5, 1960.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1243 heard by me on April 23, 1957.
Samuel D. Smith, Examiner
New Mexico Oil Conservation Commission

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 26, 1957

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IN THE MATTER OF: *
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CASE NO. 1243 *
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TRANSCRIPT OF PROCEEDINGS

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
April 26, 1957

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IN THE MATTER OF:

The application of Rowan Oil Company for approval of a 160-acre non-standard gas proration unit in the Eumont Gas Pool, Lea County, New Mexico, in exception to Rule 5 (A) of the Special Rules and Regulations for said pool. Applicant, in the above-styled cause, seeks an order authorizing a 160-acre non-standard gas proration unit in the Eumont Gas Pool consisting of the N/2 S/2 Section 7, Township 22 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the Rowan Oil Company and Neville G. Penrose, Inc., H. T. Mattern No. 1 Well located 1650 feet from the South line and 330 feet from the West line of said Section 7.

CASE NO. 1243

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BEFORE:

Daniel S. Nutter, Examiner

TRANSCRIPT OF HEARING

MR. COOLEY: Case 1243, application of Rowan Oil Company for approval of 160-acre non-standard gas proration unit in the Eumont Gas Pool, Lea County, New Mexico. Would you identify yourself for the record please?

MR. NEWMAN: I am Kirk Newman of Atwood & Malone appearing for Rowan Oil Company.

THE WITNESS HAVING FIRST BEEN DULY SWORN IN TESTIFIED AS
FOLLOWS:

BY MR. NEWMAN:

Q. Would you state your name please?

A. Leroy Gideon.

Q. By whom are you employed?

A. Rowan Oil Company.

Q. In what capacity?

A. Production Superintendent.

Q. How long have you been employed by Rowan Oil Company?

A. Thirteen years.

Q. What professional training do you have?

A. Geological Degree from Texas Christian University in Fort Worth.

Q. Were you employed directly out of school with Rowan?

A. No, sir. I went with a Texas Company two years.

Q. How long were you with them?

A. Two years.

Q. What work and where - - - did you do?

A. Geophysical Division, Midwest.

Q. What have been your duties since your employment with Rowan Oil Company?

A. Geological and production.

Q. In what areas?

A. New Mexico, West Texas, South Texas, and Louisiana.

Q. So you are familiar with production and geological matters in New Mexico areas.

A. Yes, sir.

MR. NEWMAN: Are the witness'es qualifications accepted?

EXAMINER NUTTER: They are.

MR. NEWMAN: Would you state the purpose of the application in this case?

MR. GIDEON: Yes, sir. This application made for 160 acres proration unit in the Eumont Gas Pool to cover N/2 S/2, Section 7, Township 22 South, Range 37 East, Lea County, New Mexico.

Q. Do you have a plat show that proration unit that will be offered as Exhibit "A"?

A. Yes, sir.

Q. What is the exact location of the proposed gas well ?

A. 330 feet from the South and West lines, Section 7, Township 22 South, Range 37 East, Lea County.

Q. Would you give us the history of this well?

A. Mattern No. 1, it was drilled and completed in October 1939 from the Grayburg formation completed in the open hole from 3631 to 3750.

Q. Is it presently producing from the Grayburg formation?

A. Yes, sir.

Q. And you propose to dually complete this well as gas over oil?

A. Yes, sir.

Q. And your application for authority to dually complete this well has been granted by this Commission?

A. Yes, sir.

Q. Is the acreage included in the proposed proration unit allotted to any other Eumont field production?

A. No, sir.

Q. What is the lease hold ownership on the proposed unit?

A. Rowan Oil Company, Neville G. Penrose, 50-50.

Q. Is there any other acreage in the adjoining immediate area of this not included in a gas proration unit?

A. Yes, sir. That is shown on Exhibit "A". Units that have been approved, wells that are producing and possible units that have not been formed or applied for.

Q. The only lands adjoining this would be the S/2 S/2 of Section 7 and the NE/4 of Section 7, those are not within an authorized proration unit?

A. Thats right.

Q. Does Rowan Oil Company own an interest in any of the other lands adjoining this, not included in a proration unit?

A. No, sir.

Q. Have you attempted to unitize or form a proration unit with other lands in the Section 7?

A. No, sir.

Q. For what reason?

A. Penrose owns half the section, they own the S/2 S/2, Section 7, and is operator of the N/2 S/2. We propose to dually complete our No. 1 Mattern to include that 160 acres because the well is best suited structurally, it could be more economical to complete than our No. 2.

Q. Has this Mattern No. 1 Well been completed as gas well?

A. No, sir.

Q. Do you anticipate that the well when completed will produce sufficient quantities to complete the allowable of the 160 acres unit?

A. Yes, sir. Based on the potential wells in the surrounding ares, it is estimated that - - - - -

Q. Which wells in particular and do you have any information to show that this well will coincide with the other wells?

A. Yes, sir. Exhibit - - - - - cross section will be introduced as Exhibit "B". Its marked "A" but - - Exhibit "B" shows the cross section from the Rowan Oil Company No. 1-B-6 Elliott Well in Section 6 through the Mattern lease on which our proposed dual completion well is located down through the Rowan Oil Company No. 1 Crosby Well. This cross section is drawn to show that the same Queen Sand Section will be present in the Mattern No. 1. It might be good information to know that we did not run an electrical log of any type on that log at the time it was drilled, but planning to do so if this application is approved.

Q. Have you advised the adjoining lease hold owners, Neville Penrose, of this pending application?

A. Yes, sir.

Q. What is the ownership of royalty interests under the lease?

A. This is a State Mattern Lease.

Q. You mean Federal Lease?

A. Yes, Federal Lease.

Q. Is the Federal Lease comprising the S/2 of Section 6.

A. Yes, sir.

Q. If this application is not granted, will you get your fair share of the Eumont gas production?

A. No, sir.

Q. In your opinion, is the entire proration unit area as proposed, productive of gas?

A. Yes, sir.

Q. Will correlative rights in any way be affected by the granting of this Order?

A. No, sir.

Q. Were the Exhibits designated "A" and "B" prepared by you or your direction?

A. Yes, sir.

MR. NEWMAN: We would like to offer these Exhibits in evidence.

EXAMINER NUTTER: Without objection Rowan's Exhibit "A" and "B" in Case No. 1243 will be accepted. Mr. Gideon, this cross section that you prepared, is this corrected for differences in the elevation on the surface?

A. Yes, sir.

EXAMINER NUTTER: I wonder if you could tell me what the top of the pay would be in Gulf Oil Corporation, A. L. Christmas Well No. 7 C in the SE NE of Section 18?

A. No, sir. I can't tell you anything - - - - -

EXAMINER NUTTER: I wonder if that would be higher or lower structurally?

A. Structurally, it will be slightly lower. How much, I don't know. I don't have that information with me.

EXAMINER NUTTER: Another thing, Mr. Gideon, I think that in describing the location of your well, you said it was 330 feet from the South and the West lines of Section 7. I wonder if you would state that location again please?

A. 330 from the South and West lines of the H. D. Mattern 160-acre lease.

EXAMINER NUTTER: What would the location be with reference to the Section lines then sir?

A. 1650 feet from the South and 330 from the West.

EXAMINER NUTTER: Does anyone have any questions of the witness?

MR. UTZ: Mr. Gideon, who owns the west offset of the well in question here?

A. I believe thats Gulf's, I am not positive about that.

Q. Have they been notified of this application?

A. Yes, sir.

Q. I believe you stated that you had not completed this well with intention to dually complete it?

A. Yes, sir. We have not completed it.

Q. Is this entire unit inside the present horizontal boundaries of the Eumont Pool?

A. Yes, sir.

Q. Do you know of any intended drilling in the S/2 S/2 of Section 7?

A. No, sir.

Q. I believe you stated that you did not try to unitize with the S/2 SW/4 of Section 7, did you not?

A. Thats right.

Q. And what would be the reason again for this?

A. Well, mainly with the operator that - - - - - 160-acre tract on which the proposed well is and - - - - the well is structurally higher than our No. 2. We did not discuss unitizing the SW/4, however, we did discuss with Penrose, and they approved our suggested 160 acre unit.

Q. It would be more complicated accounting procedure, I presume to communitize.

A. Yes, sir.

EXAMINER NUTTER: Does anyone have any questions of the witness?
Mr. Newman?

MR. NEWMAN: Have you been advised by Mr. Penrose whether he plans to make a gas unit out of the S/2 S/2?

A. I have not.

Q. Is the Lease hold ownership of the S/2 SW/4 the same as the N/2 SW/4?

A. No, sir.

EXAMINER NUTTER: Mr. Gideon, I don't know if you stated this or not, if you did, excuse my asking again. Is it your expert opinion that the entire 160 acres under this requested unit is productive of gas in the Eumont Pool?

A. I think so, yes, sir.

EXAMINER NUTTER: Does anyone have any questions of the witness?
Mr. Cooley?

MR. COOLEY: Mr. Gideon, you stated that the lease ownership of the proposed unit being the N/2 S/2 of Section 7, is 50% Rowan Oil Company and 50% Neville Penrose?

A. Yes, sir.

Q. Is that ownership undivided?

A. Yes, sir.

Q. You have stated several times in your testimony that Rowan Oil Company is the operator of the N/2 S/2 of Section 7 - - - - - was Rowan designated as operator under some operating agreement or some other type of agreement?

A. Only verbal. We do not have a written operating agreement.

Q. But Neville G. Penrose, Incorporated, does recognize Rowan Oil Company to be the operator of the N/2 S/2 of Section 7.

A. Yes, sir.

Q. Mr. Gideon, you testified that Rowan Oil Company would not get its fair share of gas if this application were not granted. Would it not get its fair share of gas in this area if the Communitization Agreement were entered into with Penrose, Incorporated, constituting the SW/4 of Section 7 as the unit for this well?

MR. NEWMAN: Please, that is the mathematical problem and Rowan would have one-fourth interest in the SW/4 instead of one-half. He would have half interest in half of the unit. This way they have one-half interest in the entire unit.

MR. COOLEY: Yes, sir. Would it not leave then the SE/4 of Section 7u open as a drilling block?

MR. GIDEON: They have, but arrangements have not been made as we discussed this morning, with Penrose to undertake the burden on this dual completion

- - - - -

MR. COOLEY: I understand, thank you.

EXAMINER NUTTER: Mr. Gideon, what formation is your well No. 2 in that 160 acres open up in?

A. The Grayburg.

Q. That's in the Arrowhead Gas Pool?

A. Yes.

EXAMINER NUTTER: Anyone else have any questions?

MR. NEWMAN: I'd like one more question please - - - what, from your information is the next eastward approved gas unit, Eumont gas field, upon this acreage?

A. The Trace Oil Company has a unit in Section 17 and Section 20, E/2 SW/4, Section 17, and the N/2 NW/4 in Section 20. In Section 15, Rowan Oil Company has an 80-acre unit held by its Waldren #6 and holds an 80 acreage, N/2 NW/4, Section 15.

Q. Is that Rowan well producing out of the same formation as proposed for this well in the application.

A. Yes, sir.

Q. Is it your opinion that the gas extends from the well included in the application equal to your other well?

A. On the information we have, that's our opinion.

EXAMINER NUTTER: Does anyone else have any questions?

NANCY ROYAL: What is the other zone for the proposed dual completion?

EXAMINER NUTTER: I believe it will be in the Arrowhead Oil Pool.

MR. GIDEON: Grayburg.

NANCY ROYAL: Is that now before the Commission in a DC?

EXAMINER NUTTER: I believe Mr. Gideon stated that a DC has already been approved for that.

MR. GIDEON: Yes, sir.

EXAMINER NUTTER: What is the number of that DC?

MR. GIDEON: 412.

EXAMINER NUTTER: 412. If there are no further questions of the witness, the witness may be excused. Does anyone have anything further they wish to offer in Case No. 1243? If there are no statements, we will take the case under advisement and the Hearing is adjourned.

STATE OF NEW MEXICO)

:

ss

COUNTY OF SANTA FE)

I, Doris Arnold, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Commission Examiner at Santa Fe, New Mexico, is a true and correct record, to the best of my knowledge, skill and ability.

Dated at Santa Fe, New Mexico, this 21st day of May, 1957.

Doris Arnold
Doris Arnold

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1243 heard by me on 4-26, 1957.

Samuel J. Miller Examiner
New Mexico Oil Conservation Commission